

Orlando's industrial market has experienced rapid growth over the last several years. Even with some higher-level cracks evident in national industrial fundamentals, Central Florida's industrial market remains resilient. The vacancy rate has remained flat over the past year thanks to a strong pace of leasing, and the current vacancy rate of 3.6% is well below the national average.

Total industrial inventory has risen by 20.0 million SF in the last five years, while strong appetite for modern distribution and warehouse space continues to fuel new development activity in Orlando as developers work to keep pace with demand.

Orlando's year-over-year rent growth of 17.2% has pulled well ahead of the pace of the National Index of 9.2% over the same period. The combination of a very tight vacancy rate and tenant demand occurring at a faster pace than developers can build new product will ensure that rent growth remains solid. Although rent growth is projected to begin to moderate starting in Q2-23, declining to between 5% and 6% by the end of the year.

However, total leasing volume by the end of 2022 dropped slightly by about 5% over one year prior with just over 11 million SF leased, and the number of total deals dropped markedly by nearly 30%. While many larger deals in newly delivered projects are not getting signed until the building receives its certificate of occupancy, there is solid pre-leasing activity in smaller bay product.

Roughly 4.4 million SF of new space has delivered over the past year, with another 8.8 million SF currently underway. Looking ahead, there is more space set to deliver in 2023 than at any other time in the preceding decade. Despite the elevated construction activity, net absorption has kept pace with new deliveries for the most part.

The new construction underway is not expected to adversely impact near-term fundamentals significantly. When looking at total current availability, only 2.4 million SF of space currently on the market for lease is comprised of class A space completed in the last 20 years. Factoring that space along with the 6.6 million SF of class A space now underway into the equation, it still falls below total deal activity recorded during 2022.

Robust demand for high-quality industrial space has resulted in 4.3 million SF of net absorption over the trailing 12-month period, and 4.0 million SF of that was considered logistics space. The 8.8 million SF of new space currently underway will provide additional leasing opportunity as nearly all new inventory under construction is composed of logistics space.

New projects scheduled to deliver during 2023 are projected to force vacancy upward by more than 100 basis points. Leasing interest in larger industrial projects has declined in the past year, so many developers are increasingly pivoting back to planning buildings between 100,000 SF and 200,000 SF in size, which historically has been where the bulk of leasing interest in Central Florida lies.

Investment sales volume has been strong over the past year, with \$1.3 billion in total volume. The pace of investment activity is expected to slow in 2023 due to the impact of the Federal Reserve's continued raising of interest rates. With debt becoming increasingly expensive, some buyers will adopt a wait and see attitude, which will slow the investment sales pipeline.

Source: CoStar Property

ORLANDO MSA Industrial Market



Total Industrial Space
192,384,503 SF



Under Construction
8,834,164 SF



16 Industrial Centers
500,000 SF +

Orlando MSA (Orange, Seminole, Lake & Polk Counties) | Source: CoStar Property

Quarterly Trends



NET ABSORPTION



VACANCY RATE

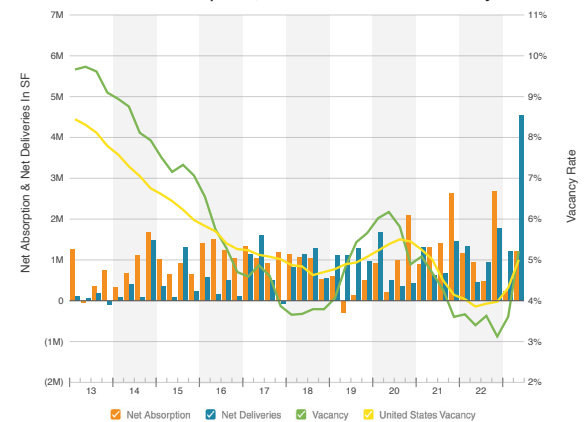


CONSTRUCTION

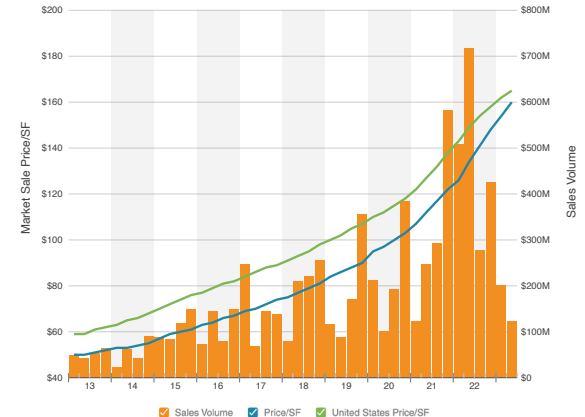


ASKING RATES

Net Absorption, Net Deliveries & Vacancy



Sales Volume & Market Sale Price Per SF



Orlando MSA (Lake, Orange, Osceola & Seminole Counties)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Lake County	687	12,586,154	427,370	4.6%	90,443	618,586	1,275,124	\$10.27
NE Orange County	152	1,770,859	21,640	1.3%	24,878	0	0	\$16.72
NW Orange County	1,644	42,593,658	1,239,362	3.3%	827,436	691,197	4,171,361	\$12.39
Osceola County	363	8,940,520	247,837	6.0%	183,917	470,466	875,866	\$12.92
SE Orange County	1,587	61,322,461	1,403,576	2.6%	2,467,254	1,502,335	2,209,827	\$12.62
Seminole County	1,573	29,855,449	1,141,340	4.5%	131,218	635,183	301,986	\$13.19
SW Orange County	730	35,315,402	1,004,103	4.0%	584,487	438,225	0	\$12.62
Totals	6,736	192,384,503	5,485,228	3.6%	4,309,633	4,355,992	8,834,164	\$12.53

Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Brevard County	1,500	31,495,041	522,837	2.2%	411,871	254,321	408,794	\$12.10
Polk County	1,768	81,222,767	3,169,320	5.0%	1,987,120	1,876,862	2,678,799	\$8.11
Volusia County	1,688	27,683,468	1,440,414	5.3%	780,696	1,490,321	879,628	\$10.34

United States

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Bids	Total RBA	Available SF	Vac %				
Entire US	473,620	18,249,066,776	635,974,092	4.3%	364,903,904	432,990,114	634,232,256	\$11.41

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2022 4q	\$31.1 B	3.6%	7.4%	\$12.53	17.2%	192.4 M	8.8 M	4.6%	4.3 M	\$141.66	\$199.5 M
2022 3q	\$29.8 B	3.1%	7.2%	\$12.03	16.2%	191.2 M	9.5 M	5.0%	5.3 M	\$147.53	\$425.1 M
2022 2q	\$28.5 B	3.6%	7.3%	\$11.58	15.6%	189.4 M	9.9 M	5.2%	5.2 M	\$136.91	\$277.2 M
2022 1q	\$27.1 B	3.4%	6.7%	\$11.11	14.5%	188.5 M	8.3 M	4.4%	6.2 M	\$144.30	\$717.9 M

Source: CoStar Property®

